

23^e Colloque annuel du Conseil canadien des PME et de l'entrepreneuriat, Trois-Rivières, 2006

Is the Current Situation of Small and Medium Enterprises (SMEs) Conducive to Attaining their Economic Expectations?

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Abstract

There are high expectations for growth and performance of Small and Medium Enterprises (SMEs) in the current economic environment. SMEs are expected to play a significant role in the development plans for Asia Pacific, Canada, British Columbia and the Okanagan region (Asia Pacific Economic Cooperation 2002, Canadian Federation of Independent Business et al, 2002, and Economic Development Commission 2002). While these expectations have been clearly articulated in national and international circles, very little has been heard from the SMEs themselves. This study attempts to listen to the SMEs in the Regional District of the Central Okanagan (RDCO) to determine whether they are confident that they can meet the economic expectations to provide employment growth and investment opportunities. The results show that while SMEs confidently predict increases in sales revenues and have plans to increase the numbers of employees, they have less confidence about their ability overall to meet these economic expectations. This is largely due to the highly changing regional, national and international environment in which they operate.

Introduction

The increasing importance of Small and Medium Enterprises (SMEs) is a global phenomena brought about by market forces, technological advances, personal career aspirations and the underlying demographic changes of the population (Canadian Federation of Independent Business, Canadian Manufacturers and Exporters & RBC Financial Group 2002, and Curran & Blackburn 2001). The development and strengthening of SMEs has been identified as a priority area for the Asia Pacific Economic Cooperation (APEC) organization, the nation of Canada, the Province of British Columbia and the Regional District of the Central Okanagan (RDCO) (Asia Pacific Economic Cooperation 2002; Kwan 2002; Economic Development Commission 2002).

In Canada, the SME sector currently creates employment and investment opportunities and has the potential to make an increasing contribution to the economic health of the nation (Canadian Federation of

Independent Business et al. 2002). The current Canadian economic and political environment stimulates small business creation, but could be more conducive to the growth of SMEs (Canadian Federation of Independent Business et al. 2002). While the significance of SMEs to national economic growth and productivity is recognized, they have received very limited direct attention that would help them build efficiency and effectiveness. There is a lack of emphasis on SMEs in the organisational change and human resource management (HRM) literature (McDonald & Wiesner 1997; Hammond 2001). Various researchers report the distinct lack of studies on SMEs in general (Curran & Blackburn 2001; Wilson 2002) and, more specifically, their success in implementing the change initiative of Total Quality Management (TQM) (Mohd & Aspinwall 2001), their ability to implement reengineering (McAdam 2000), their ability to innovate (Todtling & Kaufmann 2001), their effectiveness in new product development, (Huang et al. 2002), how they handle the practice of strategic management (Woods & Joyce 2003) and the relationship in SMEs between quality and innovation, (McAdam & Armstrong 2001). Curran and Blackburn (2001) identified the potential for small business research to have an increasing impact on public policy makers. The significance of the SME sector to the Canadian economy and the lack of research in the area justify the undertaking of this research.

Therefore the following research question is addressed in this paper:

- **Is the current situation of SMEs in the RDCO conducive to meeting the economic expectations being placed on them?**

This research question has been further subdivided into the following six sub-research questions.

- 1. What events have created the greatest opportunity for SMEs in the RDCO in recent years?**
- 2. What events have created the most serious threat to SMEs in the RDCO in recent years?**
- 3. Do SMEs in the RDCO project growth in the size of the business in the future in regard to sales?**
- 4. Do SMEs in the RDCO project future growth in the size of the workforce?**
- 5. Do SMEs in the RDCO expect to be able to deliver on the expectations that government has placed on them as drivers of economic growth?**
- 6. Are there specific regulatory changes that could stimulate economic performance of SMEs in the RDCO?**

SMEs are anticipated to play a vital role in future regional economic prosperity and these questions have been formulated to gain insight into the confidence and ability of the SMEs themselves to meet the economic expectations with which they are being charged. The six related aspects of this question were investigated in sub research questions because the responses had the potential to provide greater understanding on the outlook for SMEs. The questions relate to recent events providing opportunities for SMEs in the RDCO, events creating threats to these businesses, projections for growth in regard to revenues and employment levels, the SMEs own view on their capacity to deliver on the expectation that they become the drivers of economic growth and finally, recommendations for specific regulatory changes that could stimulate economic growth in SMEs in the region.

The focus on the SME sector within Canada, (and in fact, also throughout Asia Pacific and Europe), the Province of British Columbia and the Regional District of the Central Okanagan, to provide investment and employment opportunities and to drive economic expansion has been documented (Canadian Federation of Independent Business et al. 2002; Kwan 2002; Economic Development Commission of the Central Okanagan 2004; Asia Pacific Economic Cooperation 2002). The emic view on whether or not SMEs would be able to meet these expectations was discussed with SME owner/managers in the RDCO in a series of in-depth interviews.

Methodology

An interview guide was used in accordance with the advice of Patton (2002) to ensure that each interview followed the same basic lines yet could accommodate sufficient flexibility to illuminate and explore topics as they were discussed. The notice to the interview participants is provided as Appendix 1 and the interview guide is shown as Appendix 2. The interview guide approach allows the topics and issues to be specified in advance. It has the added advantage of expanding the comprehensiveness of the data and ensuring the data collection process is similar for each individual participant. The interviews still remained conversational and situational as recommended by Patton (2002). This was considered to be highly relevant in the context of the RDCO because it provides an appropriate match to the less formal business culture of the region. Since employment creation and provision of investment opportunities are the outcomes sought by governments, the questionnaire was formulated to determine the expectations of the individual SMEs in regard to increases in employee numbers and expansion of sales or revenues (which normally requires a larger investment in fixed and operating capital).

Using the various guidelines discussed for the number of cases appropriate for qualitative interviews, it was determined that ten in-depth interviews would be appropriate for the purpose (Perry and McPhail 2002). The ten SMEs were identified from 27 owner/managers who volunteered to be involved in further research from the questionnaire which was administered as part of a larger study on organisational change in SMEs in the RDCO.

From the owner/managers of 27 SMEs who had volunteered to participate in the in-depth interviews it was possible to select ten participants somewhat emulating the industrial profile of the region as a whole since there was one firm from each of the ten strongest industrial classifications represented in the region (Table 1).

Table 1 Participant Selection for In-depth Interviews

Industry Category North American Industrial Classification System (NAICS):	No.	Size:
11 Agriculture	1	20- 50
23 Construction	1	51-200
31-33 Manufacturing	1	51-200
41 Wholesale Trade	1	51-200
44-45 Retail Trade	1	20- 50
54 Professional Scientific and Technical	1	20- 50
56 Administrative and Support	1	51-200
62 Health and Social Services	1	20- 50
72 Accommodation and Food Services	1	20- 50
51 Information	1	51-200

The interviewees included one firm from each of the following ten classifications - agriculture, construction, manufacturing, wholesale trade, retail trade, professional/scientific/technical, administrative support, health and social services, accommodation/food services, and the information industry. All SMEs for the interviews had employee numbers within the working definition of SMEs as employing between 20 and 200 people. Further, five came from each of the two proposed groupings, 20 to 50 employees and 51 to 200 employees.

Appointments of one hour duration were made with the owner/managers at their place of business. All appointments were kept and the protocol for the interview (Appendix 2) was provided to each interviewee. Each of the participants consented to the request to record the discussions and therefore all interviews were taped and the contents of the tapes were transcribed.

Reliance was placed on the information-richness of the interviews and the observational and analytical capabilities of the researcher to extract information relevant to the research question (Patton 1990, cited in Perry & McPhail 2002).

In addition, triangulation of the data was undertaken with information published in annual reports and/or informational brochures and/or corporate profiles. The publications almost always included a discussion on new strategic directions, marketing initiatives, research and development activities, new products or improved processes as well as the inclusion of information on human resources. The combination of qualitative data from the interviews and public sources was used to enhance the completeness of the information as recommended by the University of Lethbridge (2003).

Two pilot interviews with managers from SMEs were undertaken and the protocol re-evaluated prior to undertaking the ten in-depth interviews. All participants gave their permission to allow the interviews to be taped and the resultant tapes have been transcribed. All interview appointments were pre-scheduled by telephone or email and the interviewer attempted to establish a friendly and open dialogue with the participants. Following the transcription of the content, the interviewees were provided with a summary of the data and asked to review for accuracy and to confirm the validity of the content, which they did.

Selecting the participants for the in-depth interviews from owner/managers who volunteered on the survey delivered cooperation levels that were more than acceptable (27 SMEs volunteered and ten participants were required). However, the volunteering situation raises the issue of self-selection bias in that only those people who feel strongly about the issues are likely to respond (Zikmund 2000). Extreme situations may be over-represented in the interviews because of this. This limitation is disclosed in this research paper to ensure that readers are informed of this potential bias.

The interviews were relied upon to provide the SMEs own view on their ability to contribute to economic expansion and to gain insight into whether the vision of the individual SME is congruent with the expectations imposed on them by the Government of Canada, the Province of British Columbia, and the region. The nuances between employment growth, improved economic performance, and the expectations of the SMEs themselves were considered.

Reliance was placed on both the personal skills of the interviewer and the advice and insight from Dr. Hal Schroeder, highly recognized Canadian researcher (University of Lethbridge 2003) to build trust in the interviews. That advice includes having a genuine interest in the organization, listening carefully, and allowing the interviewee to describe the issues the way they see them. Emphasizing the potential value to education and research as well as remembering that the purpose of the interview is to describe the situation, not prescribe potential solutions, are also factors that build trust (University of Lethbridge 2003).

Data Analysis Techniques in relation to Interview Data

For analysis of the qualitative data, the contents of the tapes were transcribed and subjected to content analysis. From the transcriptions of the interviews, key topical areas were identified and summarized according to subject areas. Appointments for interviews were only made with owner/managers, general managers, or their informed designates, on the assurance that the person was knowledgeable about organisational change in their firm. All interviews met this quality control procedure.

Content analysis was undertaken using the two-step process. Initially, axial coding, a first pass of content to identify concepts and themes, was carried out. Secondly, selective coding was used to compare and contrast the way that these firms deal with changes in relation to their capacity to expand (Neuman 2000 as cited in Perry & McPhail 2002). Analysing the material in this way provided a larger view of how SMEs are coping with change and the effect of that change on employment outcomes and revenue growth. The data enhancement role that is expected from qualitative research was therefore able to be met.

Limitations from In-depth interviews

Research results derived from interviews are very subject to the level of skills and ability of the interviewer (Zikmund 2000). Analysis and interpretation of the results was undertaken very carefully to ensure that any interpreter bias was negated. For the purpose of this research, interviews were taped rather than relying solely on note-taking. Systematic content analysis was undertaken to ensure inclusion of all topics in accordance with the guidance provided by Zikmund (2000). Consultation with peers and other researchers was undertaken prior to commencement of the interviews and the technique was based on the principles outlined in the Research Methodology Study Book (University of Southern Queensland 2002). Care was taken not to evaluate comments or introduce ideas but to be an active listener, confirming understanding and following up on areas of interest (Perry & McPhail 2002).

The protocol for this research was approved by two research ethics boards – the Research Ethics Board (REB) at Okanagan University College (OUC) where the researcher is employed and the Higher Research Ethics Committee (HREC) at the University of Southern Queensland (USQ).

Results

The firms interviewed reflected the economic structure of the RDCO in that each of the ten most prominent North American Industrial Classification System (NAICS) categories was represented. The demographic characteristics of the firms interviewed are shown in the following table including NAICS industry code, employment size category, and whether or not the interviewed SMEs have a manager with designated responsibility for Human Resources and a Strategic Plan and a Business Plan.

Table 2 Characteristics of Interviewed SMEs

Firm Descriptors	NAICS Industry Code	Size*	Designated HR Responsibility	Business Plan	Strategic Plan
1 Construction Medium	23 Construction	Medium	No	Yes	Yes
2 Manufacturing Medium	31-33 Manufacturing	Medium	No	Yes	Yes
3 Wholesale Medium	41 Wholesale Trade	Medium	Yes	Yes	Yes
4 Retail Small	44-45 Retail Trade	Small	Yes	Yes	Yes
5 Agriculture	11 Agriculture	Small	No	No	No

Small					
6 Information Medium	51 Information	Medium	No	Yes	Yes
7 Health Small	62 Health and Social Services	Small	Yes	Yes	Yes
8 Professional Small	54 Professional Scientific and Technical	Small	No	No	Yes
9 Food Small	72 Accommodation and Food Services	Small	No	Yes	No
10 Administrative Medium	56 Administrative and Support	Medium	Yes	No	No

*Small = 20 to 50 employees and Medium = 51 to 200 employees

The ten firms represented ten different industry classifications and size categories are indicated with five meeting the definition of small (20- 50 employees) and five meeting the definition of medium (51-200 employees) that was adopted for the study on organizational change (Banham, 2005).

In the tables and analysis that follow the SMEs are identified by industry sector and size as shown in the first column of Table 2 therefore they will be described as Agriculture Small, Construction Medium, Manufacturing Medium, Wholesale Medium, Retail Small, Professional Small, Administration Medium, Health Small, Food Small and Information Medium. This is a key to all tables and discussion resulting from the in-depth interviews.

Only four of the ten have a specialist human resources manager (wholesale medium, retail small, health small and administration medium). Seven out of ten have a business plan and seven have a strategic plan (Agriculture Small and Administration Medium have neither a business nor a strategic plan while Professional Small has a strategic plan but no business plan and Food Small has a business plan but no strategic plan).

Is the current situation of SMEs in the RDCO conducive to meeting the Economic Expectations being placed on them?

This research question focuses on the ability of SMEs in the RDCO to meet the economic expectations with which they are being charged. Commentary and analysis on the six related aspects of this question is presented in the following sections

Recent Events Providing Opportunities for SMEs

Each of the interviewees discussed the events that had created the greatest opportunity for the SMEs in the RDCO in recent years.

Table 3 Greatest Opportunity for SMEs

Opportunity	Comments from Interviewed SMEs relevant to Greatest Opportunity
<ul style="list-style-type: none"> Market Opportunities 	Large construction projects financed by Government (Construction Medium) Marketing at trade shows (Manufacturing Medium) Awarded a large contract (Wholesale Medium) Market growth due to aging demographic (Retail Small) Positive relationship with government and funding increases (Health Small) Accessing government contracts (Administration Medium)
<ul style="list-style-type: none"> Change in Ownership 	Capital investment due to change in ownership (Information Medium)
<ul style="list-style-type: none"> Government Regulation 	Change in government and the regulations related to the business (Food Small)
<ul style="list-style-type: none"> Regional Appeal 	Qualified and experienced professional seeking Okanagan lifestyle (Professional Small)

(Note – No opportunity was identified by Agriculture Small)

A total of six of the interviewees responded that market changes provided the greatest opportunity for their business. One SME identified their recent change in ownership and injection of resources and one identified the appeal of the geographic region and its ability to attract skilled and knowledgeable human resources. In total, the opportunity identified by four of the SMEs related to Government – three of them to government funding of projects within their operational area and categorized as market opportunities and one identified a change in government regulation.

From the information provided, the response to this research question was clear. Changes to the market and specifically those connected with government funding have provided the greatest opportunities in recent years. Regional appeal and ownership changes have also able provided opportunity.

According to the ten firms interviewed, the greatest opportunities identified for SMEs arose from market opportunities – in many cases created due to government projects and initiatives and for one SME, the greatest opportunity arose due to a change in government regulations. The concept of government as the creator of opportunities through funding of projects in the respective operational areas of the SMEs and the implementation of additional regulations by legislation was in stark contrast to the literature calling for reduced regulation to facilitate the growth and viability of the small business sector (Canadian Federation of Independent Business et al. 2002).

Recent Events presenting threats to SMEs

They also discussed the most serious threat to the SMEs in the region in recent years and the results are presented in Table 5.

Table 4 Greatest Threat to SMEs

Threat	Comments from Interviewed SMEs relevant to Greatest Threat
• Technology	Technological advance that made products accessible in alternative ways (Information Medium)
• Suppliers	Materials market - Crude oil pricing and related forward contracts (Manufacturing Medium) Labour market - Succession Issues (Professional Small) Labour market - Union negotiations (Health Small)
• Regulatory Environment	Change in government regulations (Food Small)
• Markets	Market demand for products subsequent to September 11 terrorism attacks triggered substantial working capital and cash flow pressures (Wholesale Medium) Change in government and funding of capital projects (Construction Medium)
• Increasing Competition	Competitors moving into the market (Retail Small) Contract expiry and re-tendering (Administration Medium)
• Regional Environment	Weather and pests (Agriculture Small)

While the threats ranged from change in provincial government, the September 11 terrorist attacks, new competition entering the market, climatic environment, technological changes, union negotiations, succession issues, and contract renewal they can be categorized into the external forces for change of technological advances, supplier requirements, the regulatory environment and increasing competition. The union negotiations and succession issues have been categorized as supplier issues in that they arise from the labour market. The importance of the regional context was discussed in Section 2.3.2 and the SME engaged in agriculture was certainly more vulnerable to the specific geographic environment than the SMEs engaged in the other industry classifications.

The greatest threats all came from the external environment (which is highly appropriate) – technological change, customer expectations, supplier requirements, the regulatory environment, increasing competition and physical climate. Specifically mentioned were the changes in the Provincial government, the September 11 terrorist attacks, increasing competition and technological advances. Since regulation has been considered as both the greatest opportunity and the greatest threat, the vulnerability of SMEs to the regulatory environment was emphasized. It is perhaps this vulnerability to government regulation that drives the call for public policy initiatives to be more considerate of SMEs with tax simplification and the removal of inter-provincial barriers to trade (Canadian Federation of Independent Business et al. 2002). At the same time, several SMEs in the RDCO welcomed the privacy and safety regulations which increased demand for their products and services and capital expansion projects that impacted their area of operations and disclosed this information in their interviews.

Projections for Revenue Growth

In order to assess the capacity of SMEs to deliver on the economic expectations with which they are being charged, it was important to determine whether the SMEs in the region were projecting growth in their businesses both in terms of revenue and workforce. Parts three and four of the research question are specifically directed at doing this and were discussed with the owner/managers in the interviews. The response was a resounding 'yes' – SMEs in the RDCO confidently predict growth in regard to both of these indicators.

According to the results from the interviews and as shown in Table 5, all ten of the SMEs are predicting growth in revenue.

Table 5 SMEs Growth Projections - Revenues

Revenue Growth	Comments from Interviewed SMEs
<ul style="list-style-type: none"> • Yes 	Economy of British Columbia growing (Construction Medium) Company revenues should double (Manufacturing Medium) Three year contract guarantees growth (Wholesale Medium) Growth expected over next couple of years (Information Medium) Growth expected due to aging population (Retail Small) City is growing therefore we will grow (Professional Small) Definitely yes - growing client base for our services (Health Small) Planning for growth (Administration Medium)
<ul style="list-style-type: none"> • Uncertain 	Market growth projected – market share difficult to project due to long lead times (Agriculture Small) Hoping for growth (Food Small)

Eight out of ten expect to expand their work force in the next year and eight out of ten expect to have increased employee numbers in the next three to five years. However, only two out of the ten SMEs (retail small and wholesale medium) expressed confidence that SMEs would be able to deliver on the expectations for them to be drivers of economic growth. This expressed uncertainty in relation to delivering on the economic expectations of governments presents a dichotomy. Since growth in revenues normally relates to increased levels of investment in current and operating assets, revenue growth should be providing the investment opportunities which form part of the agenda for growth. The availability of investment opportunities that the various levels of government are seeking should therefore be produced.

Projections for Employment Growth

With the predicted expansion in employee numbers (only Professional Small predicted no growth in either the one year or three to five year time horizon), job creation overall should be increasing. The expansion of the work force is the second indicator of exactly how the SMEs should be able to deliver on employment growth. Table 6 presents the responses from the interviewed SMEs.

Table 6 SMEs Growth Projections – Employment

Employment Growth	Comments from Interviewed SMEs
<ul style="list-style-type: none"> • Yes 	<p>No question – more jobs but a skills shortage (Construction Medium)</p> <p>Doubling of revenues requires 90% growth in employment (Manufacturing Medium)</p> <p>Employment growth of 20% expected next year – then stable (Wholesale Medium)</p> <p>Nothing for next year – after that steady growth (Retail Small and Information Medium)</p> <p>Definitely yes – business is employee intensive (Health Small)</p> <p>Looking for three employees right now (Professional Small)</p> <p>Maybe 3 – 4 more next year (Food Small)</p>
<ul style="list-style-type: none"> • No 	<p>No overall growth – continued seasonal fluctuations (Agriculture Small)</p>
<ul style="list-style-type: none"> • Uncertain 	<p>Currently under consideration (Administration Medium)</p>

Eight out of ten SMEs are projecting expansion in the work force, one said no and the other one was uncertain. That certainly represents a positive outlook for job creation and would again be congruent with meeting the expectations for economic growth.

Can SMEs meet the Economic Expansion Expectation?

Results of the discussions relating to whether SMEs have the capacity to deliver on the expectations as drivers of economic growth are presented in Table 7.

Table 7 SMEs as Drivers of Economic Growth

Economic Growth	Comments from Interviewed SMEs
Yes	<ul style="list-style-type: none"> • SMEs should be able to deliver in the retail sector (Retail Small) • SMEs should be drivers of economic growth in this region (Information Medium) • The health sector has room for the SME – and there are international examples of how well it can work (Health Small)
No	<ul style="list-style-type: none"> • After 21 years in business – does not look possible – it is more difficult to start a business today than it used to be (Construction Medium) • Large operators are driving out small operators - does not look possible (Agriculture Small)
Uncertain	<ul style="list-style-type: none"> • SMEs are nimble – can change and adapt so probably possible but large business has the economy of scale advantage (Manufacturing Medium) • Difficult to say – does not think of this SME that way – but could be (Wholesale Medium) • Entrepreneurial nature of SMEs should generate growth but large businesses will also prosper in

	strong economies (Professional Small) <ul style="list-style-type: none"> • Hope so – but it is going to be tough to do (Food Small) • Need government support if those expectations are going to be met (Administration Medium)
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There is a great deal of uncertainty in the SMEs themselves on whether they thought SMEs would be able to fulfil the economic performance expectations. The obstacles to the attainment of the expectation included discussion relating to resource constraints. Specific reference was made to human resources (the lack of younger workers entering the particular technical area) and financial resources (the lack of easy access to trade credit and bank financing) were mentioned in the interviews. This is consistent with the literature where resource constraints are considered to be a unique characteristic of SMEs. The overall impact of resource constraints on capacity to implement organisational change (McAdam (2002) as well as financial limitations (Freel 2000) and limited in-house expertise (MacDougall & Pike 2004) are considered as impediments to successful change and growth in the literature.

The interviews also confirmed the uncertainty faced by SMEs in regard to market fluctuations. The procurement or loss of a large contract can be at the same time a great opportunity and a serious threat. Todtling & Kaufman (2001) reported on the vulnerable relationship that SMEs have due to market fluctuations and this was consistent with the discussions in the interviews where the winning of a large contract or a greater number of bids than expected presented its own set of challenges for SMEs. This was mentioned as being particularly relevant to professional small, manufacturing medium and construction medium.

Would Specific Regulatory Changes assist SMEs?

The owner/managers taking part in the interviews were asked whether there were specific regulatory changes that could stimulate economic performance of SMEs in the RDCO.

Because regulatory constraints have been frequently cited as constraining growth of SMEs, the ten interviewees were specifically asked to identify a regulatory change that would provide a significant boost to their operations.

The results are presented in Table 8 which is presented below.

Table 8 Regulatory Changes - Impact on Ten SMEs

Response Categories:	Comments:
Yes – four interviewees identified regulatory change that would assist their firm	<ul style="list-style-type: none"> • Reduce paperwork (Construction Medium) • Standardize regulations across Canada (Wholesale Medium) • Specific regulatory change would provide operational benefits (Information Medium) • SMEs should be advising Government (Administration Medium)
No – four interviewees could not identify a regulatory change that would assist their organization	<ul style="list-style-type: none"> • Big and small firms are regulated the same (Retail Small) • Regulations in operational area are good for workers and for clients

	<p>(Health Small)</p> <ul style="list-style-type: none"> • All firms regulated the same so SMEs would not benefit specifically (Food Small) • Not aware of any change that would provide benefits (Agriculture Small)
Regulation actually benefits SME – two firms were operating in areas that benefited from Government regulations	<ul style="list-style-type: none"> • In particular operational niche, revenues increase with regulation (Manufacturing Medium) • Operational area benefits from regulation – ‘more red tape the better’ (Professional Small)

The responses to this question are quite unexpected. Two SMEs actually said that regulations helped their operations, four said there that there was no specific change that would be of benefit and of the four that said regulatory change could be beneficial, only one had a very specific response to reduce paperwork (construction medium) and one called for standardization across Provinces to reduce inter-provincial trade barriers (wholesale medium).

There was no consensus on this issue even though organisations such as the Canadian Federation of Independent Business et al. (2002) have identified the reduction of regulatory barriers as important to the growth and viability of SMEs. Their report entitled ‘The Path to Prosperity: Canada’s small and medium sized enterprises’ calls for a systematic reduction of business sector regulation, a reduction in industrial product marketing regulations, reduction in employment protection initiatives and simplification of the product approval process as well as the lowering of federal corporate tax rates and municipal business property tax rates. Three SMEs expressed the view that there were really no regulatory impediments in their situations (retail small, professional small and health small); three SMEs (food services small, agriculture small and administrative medium) expressed the view that there were possibly some changes that could be of assistance and four SMEs (construction medium, manufacturing medium, wholesale medium and information medium) stated that in fact regulation frequently provided and expanded the opportunities in the industry in which they were operating. Since none of the ten SME owner/managers in the RDCO identified any specific regulatory change that would benefit them and some of them stated that they have actually benefited from government regulations, it was difficult to rationalize the interview data with the literature. This area warrants further research.

Conclusion

External environmental factors including markets, capitalization, government regulations and regional appeal are providing opportunities to SMEs in the RDCO. At the same time technology, suppliers, markets, the regulatory environment and the regional environment are identified as providing threats to SMEs.

According to the information obtained from the interviews, the SMEs in the RDCO are predicting growth in revenues and growth in employee numbers but express uncertainty in relation to delivering on the economic expectations of governments. However growth in revenues normally relates to increased levels of investment in current and operating assets, which means the availability of investment opportunities that the various levels of government are seeking, and the expansion of the work force is an indicator of exactly how the SMEs should be able to deliver on employment growth.

Yet the SME owner/managers expressed a great deal of uncertainty when asked whether they thought SMEs would be able to fulfil the economic performance expectations. This study has in fact revealed the ability of SMEs in the RDCO to meet the expectations as drivers of economic growth, notwithstanding their own uncertainty in doing so. At the same time, no specific regulatory change was identified that would be of assistance to SMEs in meeting these expectations to deliver increased investment opportunities and employment growth to the region.

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Appendix 1
NOTICE TO PARTICIPANTS – RESEARCH INTERVIEWS
“Organisational Change in Small and Medium Enterprises”

Thank you for volunteering for further participation in this research initiative relating to Organisational Change in Small and Medium Enterprises (SMEs).

In accordance with the Ethical Guidelines for Research of both the University of Southern Queensland and Okanagan University College, I would just like to restate that your participation is entirely voluntary, you are free to withdraw at any time, and that the findings will be held in the strictest confidence. The findings will be reported in aggregate only and will not identify any individuals or their organisations. A summary of the findings will be made available to each of the participants.

Your confidentiality will be preserved. The data gathered from the interviews and the surveys will be kept in locked storage for seven years at the Business Administration Department of Okanagan University College.

If you have a concern regarding the implementation of the project, you are welcome to contact The Secretary, Human Research Ethics Committee University of Southern Queensland, Toowoomba Queensland Australia 4350, or by telephone at 011 61(7) 4631 2956, or by telephone at 011 61(7) 4631 2956, or the Chair, Research Ethics Board, Okanagan University College, 3333 College Way, Kelowna B.C. V1V 1V7, or by telephone at 250 762 5445 Ext. 6204.

Appendix 2 – Interview Guide

Interview Guide – Organizational Change in SMEs

What is your opinion of the idea that SMEs are unique – that they are not just a scaled down version of big business? Why?

What event created the greatest opportunity for your business in recent years?

What event created the most serious threat to your business in recent years?

Do you project growth in the size of your business in the future in regard to sales?

Do you project growth in the size of the workforce in your organization?

- Over the next year
- Over the next 3-5 years

Do you believe that SMEs will be able to deliver on the expectations that government has placed on them as drivers of economic growth?

- Why or why not?
- Is there a regulatory change that would provide a boost to your business?

Does the proposed model of Organizational Change in SMEs seem appropriate to your organization?

- In relation to the Unique Characteristics
- In relation to the Tools for Change
- In relation to the Forces for Change
- In relation to the response by leadership
- In relation to the pace of change
- In relation to the use of the tools to adjust to the change

That covers the questions that I wanted to ask, can you think of anything that I should have asked you but I haven't?